

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-10 PA-04 PRS-01 SS-20 USIA-15 ACDA-19 IO-14 STR-08

CEA-02 DRC-01 /204 W

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P 312215Z OCT 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 4125

INFO USCINCSO

C O N F I D E N T I A L SECTION 1 OF 2 BUENOS AIRES 7963

E.O. 11652: GDS

TAGS: ECON, ETRD, ESTC, AR, CU, US

SUBJECT: TRADE WITH CUBA BY US FIRMS IN ARGENTINA.

REFS: (A) BUENOS AIRES 7768

(B) BUENOS AIRES 7362

(C) STATE 117307

1. SUMMARY: EMBASSY IS RECEIVING CONFIRMATION OF PREVIOUS REPORTS THAT GOA IS THINKING OF MOVING AGAINST US FIRMS WHO ARE FAILING TO COOPERATE IN GOA PROGRAM TO EXPORT MANUFACTURED GOODS TO CUBA. SUBSIDIARIES OF US AUTO FIRMS CONCERNED THAT FUTURE EXPANSION AND EVEN NORMAL OPERATIONS ARE IMMINENTLY THREATENED BY GOA'S HARDENING ATTITUDE. THERE IS EVEN SOME EVIDENCE THAT FIRMS SUFFERING DAMAGE CURRENTLY. GOA APPEARS DETERMINED TO DEMONSTRATE ITS SOVEREIGNTY OVER FOREIGN SUBSIDIARIES ORGANIZED AND LOCATED IN ARGENTINA. EMBASSY BELIEVES GOA OFFICIALS MAY TAKE STEPS SOON AGAINST SUBSIDIARIES US FIRMS; THE DANGER IS REAL AND IMPORTANT OVERALL US INTERESTS IN ARGENTINA ARE LIKELY TO BE COMPROMISED UNLESS IMPASSE IS BROKEN. EMBASSY RECOMMENDS THAT USG EXTEND AT LEAST PARTIAL WAIVERS TO US FIRMS

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SEEKING THEM (SEE DETAILS BELOW) SO THAT BILATERAL CONFRONTATION

MAY BE AVOIDED OR DELAYED. END SUMMARY.

2. ON OCTOBER 27, ELBIO COELHO, PRESIDENT OF UNION INDUSTRIAL ARGENTINA (LOCAL EQUIVALENT OF NAM IN US) REPORTED TO DCM THAT MINISTER OF ECONOMY, GELBARD, IN RECENT CONVERSATION WITH COELHO, HAD STATED REFUSAL OF US SUBSIDIARY FIRMS TO RECEIVE CUBAN PURCHASING MISSION AND/OR TO OFFER TO SELL PRODUCTS MADE IN ARGENTINA UNDER GOA'S SPECIAL CREDIT ARRANGEMENT TO CUBA WAS MATTER OF GREAT CONCERN TO GOA. REPORTEDLY, GELBARD ADDED GOA WILL NOT PERMIT DECISIONS OF THIS TYPE TO BE GOVERNED FROM OUTSIDE ARGENTINA. ESSENCE OF HIS STATEMENT WAS THAT US FIRMS WILL OFFER TO SELL OR ELSE\* ABOVE CONFIRMS INFORMATION RECEIVED BY EMBASSY LAST WEEK AND REPORTED IN REF A. INFORMATION APPEARS CREDIBLE ALTHOUGH EXTREME ANTIPATHY BETWEEN COELHO AND GELBARD WHO, IN ADDITION TO BEING, UNTIL RECENTLY, HEAD OF CGE, RIVAL ORGANIZATION TO UIA, IS AS INDIVIDUAL HEARTILY DESPISED BY COELHO.

3. ON OCTOBER 29, CHIEF EXECUTIVES FROM SUBSIDIARIES OF THREE MAJOR US AUTO FIRMS VISITED DCM AND EMBOFF TO REPORT LATEST DEVELOPMENTS ON SUBJECT AND REQUEST GUIDANCE FROM EMBASSY. GM CHIEF IN BUENOS AIRES REPORTED THAT PRESIDENT OF INFLUENTIAL CONFEDERATION GENERAL ECONOMICA HAD SPOKEN TO HIM ON OCTOBER 25 IN SAME VEIN AS THAT REPORTED PARA 2 ABOVE. HIS COLLEAGUES AGAIN REPORTED THAT THEY ARE RECEIVING SIMILAR STATEMENTS FROM INFLUENTIAL ARGENTINE OFFICIALS.

4. US AUTO FIRMS' SUBSIDIARIES ALSO REPORT THAT FLOW OF PERMITS FROM SECRETARIATS OF COMMERCE AND INDUSTRY, NEEDED TO BRING IN REQUIRED MATERIALS FOR EXPANSION PLANS, TO COMPLETE PROCEDURES REQUIRED FOR CURRENT INVESTMENT PROGRAMS, TO INTRODUCE NEW MODELS, ETC, IS PARALYZED AND HAS BEEN AT STANDSTILL SINCE LATE SEPTEMBER. BUREAUCRATIC PROCEDURES WERE SLOW ALL DURING THIRD QUARTER OF CY'73, A PROBLEM WHICH THESE EXECUTIVES BLAMED ON REORGANIZATION AND POLITICAL BACKGROUND OF THAT PERIOD. THEY FEEL THAT THIS SITUATION MIGHT HAVE IMPROVED FOR THEM AS IT HAS FOR OTHERS OVER THE PAST MONTH, EXCEPT FOR THE DIFFICULTIES ASSOCIATED WITH THEIR POSTURE IN TRADE WITH CUBA, ALTHOUGH LOWER LEVEL OFFICIALS IN SECRETARIATS DO NOT SPECIFICALLY REFER TO THIS SUBJECT WHEN SEEKING TO EXPLAIN INABILITY TO ISSUE REQUESTED PERMITS.

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5. GM AND CHRYSLER BOTH REPORT THAT IN CURRENT LABOR DIFFICULTIES, WHICH EACH HAS ON A MINOR SCALE, LABOR UNION DELEGATES ARE ACCUSING FIRMS OF THWARTING NEW GOA EXPORT DRIVES BY FAILING TO ACCEPT ORDERS FOR SHIPMENT TO CUBA.

6. EMBASSY HAS BEEN AWARE THAT GOA OFFICIALS ARE SEEKING TO DRAFT NEW AUTO INDUSTRY PROGRAM DESTINED TO REDUCE NUMBER OF

MANUFACTURING FIRMS, REDUCE NUMBER OF MODELS PRODUCED, RATION-  
ALIZE PARTS OR COMPONENTS INDUSTRY AND ENCOURAGE OR FORCE SUB-  
STANTIAL EXPORTS OF VEHICLE COMPONENTS AND PARTS. WE UNDERSTAND  
THAT, TO INDUCE OR FORCE AUTO PRODUCERS IN ARGENTINA TO MAKE  
GREATER EXPORT EFFORT, GOA PLANNING TO SET GOALS FOR EACH  
FIRM'S EXPORTS AND LIMIT OR REDUCE PRODUCTION FOR ARGENTINE  
MARKET FOR EACH INDIVIDUAL FIRM NOT MEETING EXPORT TARGET. US  
AUTO FIRMS' SUBSIDIARIES FEAR THAT REFUSAL TO PRODUCE AND EXPORT  
TO CUBA WILL SERIOUSLY PREJUDICE THEIR POSITION IN ARGENTINA  
IN FUTURE, WHETHER OR NOT THEY EXPORT IN QUANTITY TO OTHER  
MARKETS, WHICH IN FACT THEY HAVE ALREADY BEGUN TO DO.

7. EACH OF THE US AUTO FIRMS' SUBSIDIARIES IN ARGENTINA HAS NOW  
RECEIVED A FORMAL WRITTEN REQUEST FOR QUOTATIONS FROM THE CUBAN  
PURCHASING MISSION ON STATIONERY OF THE CUBAN EMBASSY IN  
BUENOS AIRES. EACH OF THE FIRMS HAS RECEIVED INDICATIONS THAT  
ARGUMENTS OR RESPONSES GIVEN PURCHASING MISSION OR ARGENTINE  
OFFICIALS THAT PLANT CAPACITY NOW OCCUPIED FOR NEXT SEVERAL  
MONTHS, THAT MODELS MOST DESIRED BY CUBANS IN SHORT SUPPLY, THAT  
NEW MODELS ARE NOT AVAILABLE SOON, ETC, ARE NOT ACCEPTABLE TO  
THE GOA. THEY FEEL OPEN CONFRONTATION WITH GOA ON ISSUE IS ONLY  
FEW DAYS DISTANT. IN RESPONSE TO THEIR REQUEST FOR GUIDANCE,  
EMBASSY HAS CONSISTENTLY INDICATED THAT THEY MUST, THROUGH  
HOME OFFICES, CONSULT WITH AND SEEK RELIEF FROM WASHINGTON  
AGENCIES CHARGED WITH IMPLEMENTING CUBAN ASSETS CONTROL REGU-  
LATIONS. THEY REPORTED THAT LEGAL OFFICES OF THEIR PARENT FIRMS  
HAD SCHEDULED SUCH CONSULTATIONS IN WASHINGTON ON OCTOBER 29.

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CEA-02 DRC-01 /204 W

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P 312215Z OCT 73

FM AMEMBASSY BUENOS AIRES  
TO SECSTATE WASHDC PRIORITY 4126  
INFO USCINCSO

C O N F I D E N T I A L SECTION 2 OF 2 BUENOS AIRES 7963

8. IN THIS AND IMMEDIATELY FOLLOWING PARAGRAPHS, EMBASSY WISHES ADDRESS ITEMS MENTIONED PARA 4, REF C AS BEARING UPON REQUESTS FOR WAIVERS FROM CACR. ARGENTINE LEGAL ADVISERS OF US AUTO FIRMS' SUBSIDIARIES HAVE EVIDENTLY INVESTIGATED IN DEPTH THE POSITION OF THEIR CLIENTS UNDER ARGENTINE LAW IF LATTER CONTINUE TO REFUSE TO SELL TO CUBA. IN ADDITION TO NOTING PRICE CONTROL LEGISLATION WHICH WE REPORTED PARA 3 OF BUENOS AIRES 6775, THEY POINT TO 1973 LAW ON REGISTRATION OF PATENT AND TECHNOLOGY AGREEMENTS, TO FOREIGN INVESTMENT LAW OF 1971, AND TO NEW DRAFT FOREIGN INVESTMENT LAW PRESENTLY UNDER STUDY IN CONGRESS. EACH OF THESE LAWS INDICATE THAT AGREEMENTS BETWEEN FOREIGN FIRMS AND GOA SHOULD NOT BE APPROVED IF THEY CONTAIN RESTRICTIONS OR PROHIBITION ON EXPORTS OR IF THE RIGHT TO SELL IS SUBJECT TO "AUTHORIZATION FROM ABROAD." THE GENERAL COMMERCIAL CODE OF ARGENTINA DENIES FIRMS THE RIGHT TO REFUSE TO SELL EXCEPT FOR RECOGNIZED COMMERCIAL AND CREDIT REASONS. AS SEEN BY EMBASSY THERE IS NO CLEAR AND UNEQUIVOCAL LEGISLATION FORCING FIRMS TO SELL TO ALL AND ANY FOREIGN CLIENTS. HOWEVER, WE AGREE WITH THE AUTO FIRMS' LEGAL COUNSEL THAT IT IS GOA POLICY TO ENCOURAGE EXPORTS AND INVALIDATE EXTERNAL RESTRICTIONS OF ANY NATURE ON EXPORTS OF COMPANIES OPERATING IN ARGENTINA. IN ANY CASE, WE DO NOT  
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BELIEVE THAT THE POSITION OF THE FIRMS UNDER ARGENTINE LAWS AT THE PRESENT MOMENT SHOULD BE TERMED A RULING CONSIDERATION WHEN US FIRMS SEEK WAIVERS FROM CACR. EITHER BY A BROAD INTERPRETATION OF EXISTING LAWS OR BY ESTABLISHING THROUGH DECREE A RULING THAT FIRMS IN ARGENTINA RECEIVING LEGITIMATE OFFERS MUST SELL TO CUBA, AS TO OTHER BUYERS, THE GOA CAN PLACE THE US SUBSIDIARY FIRMS IN AN UNTENABLE POSITION.

9. BECAUSE OF THE PUBLICITY GIVEN TO THIS MATTER, WITHIN THE GOA AND PUBLICLY (SEE PARA 5, REF A), REASON FOR US SUBSIDIARY FIRMS' HESITANCY IN COMPLETING TRANSACTIONS WITH CUBA IS GENERALLY KNOWN. THE POLICY OF GOA AT THE MOMENT IS CLEAR. EMBASSY THEREFORE BELIEVES THAT RISK OF RETALIATION BY GOA AGAINST THREE AUTO FIRMS PLUS GOODYEAR, FIRESTONE, JOHN DEERE AND CLARK EQUIPMENT COMPANY, IS HIGH. RETALIATION MAY TAKE FORM OF GOA BLACKLISTING FIRMS IN SUCH A WAY THAT NECESSARY BUREAUCRATIC PERMITS, LICENSES, ETC ARE BLOCKED, CREDIT DENIED, AND TAX PERSECUTION INCREASED. THESE AND MANY OTHER METHODS OF REDUCING LIABILITY OF US SUBSIDIARY FIRMS ARE POSSIBLE AND EVEN LIKELY. VIOLATIONS OF THE GENERAL COMMERCE CODE, IF CHARGED, PROSECUTED AND ENFORCED, WOULD BRING HEAVY FINES TO

FIRMS AND POSSIBLE IMPRISONMENT OF RESPONSIBLE OFFICERS. OFFICIALLY INSPIRED LABOR DIFFICULTIES CANNOT BE ENTIRELY DISCOUNTED. ADMINISTRATIVELY DECREED SHUTDOWNS OF OPERATIONS ARE LESS LIKELY BECAUSE OF RESULTING UNEMPLOYMENT WHICH WOULD ENSUE.

10. GOA ACTION AGAINST US SUBSIDIARY FIRMS OVER THIS ISSUE WOULD BE CERTAIN TO DRAW GREAT DEAL PUBLICITY SLANTED TO SHOW US IN UNFAVORABLE LIGHT AS SEEKING TO DOMINATE ARGENTINE NATIONAL POLICIES FROM AFAR. AUXILIARY THEME WOULD BE US IS THWARTING SUCCESSFUL ARGENTINE EXPORT DRIVE IN AREA (AUTOMOTIVE) WHERE IT IS NEWLY COMPETITIVE. EMBASSY BELIEVES CONFRONTATION ON THIS ISSUE WOULD MEAN THAT GOA WOULD BE UNLIKELY TO SUPPORT US ON MANY ISSUES IN INTERNATIONAL BODIES AND REDUCE COOPERATION IN BILATERAL PROJECTS IN SCIENTIFIC AND MILITARY FIELDS AND WOULD ALL BUT BAR THE DOOR TO NEW US INVESTMENTS IN ARGENTINA. OFFICIAL ACTION, AS DISTINCT FROM PUBLIC DENUNCIATION, AGAINST OTHER US EXISTING INVESTMENTS, SEEMS MORE UNLIKELY BUT CANNOT BE ENTIRELY DISCOUNTED.

11. SUBSIDIARIES OF THE FORD COMPANY AND GOODYEAR TIRE IN  
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ARGENTINA HAVE US INVESTMENT GUARANTY COVERAGE FOR CONVERTIBILITY ONLY. THE OTHER FIRMS DO NOT HAVE INVESTMENT COVERAGE.

12. OBVIOUSLY, THIS EMBASSY IS NOT IN POSITION TO MAKE A FULL ASSESSMENT OF THE DISADVANTAGES ARISING FROM ANY DEPARTURE FROM PAST AND CURRENT POLICY REGARDING US FIRMS' TRADING WITH CUBA. IF APPARENT GOA DESIRES WERE MET, SUBSTANTIAL EXPORTS OF AUTOMOTIVE EQUIPMENT TO CUBA WOULD TAKE PLACE. IN THIS THE CONTRIBUTION OF THE US SUBSIDIARIES NOW IN ARGENTINA WOULD BE CONSIDERABLE AND THE EQUIPMENT THUS TRANSFERRED COULD BE OF SUBSTANTIAL ASSISTANCE TO THE ECONOMIC PROGRAM OF THE PRESENT REGIME IN CUBA. SUCH A DANGER IS MATCHED ON THE OTHER HAND BY THE STRONG PROSPECT THAT IF THE US ENFORCES CACR FULLY AND US FIRMS ARE CAUSED TO REFUSE COOPERATION WITH THE GOA, US INVESTMENTS IN ARGENTINA IN EXCESS OF US\$300 MILLION WILL BE EXPOSED TO A HIGH RISK FACTOR. OTHER US INVESTMENTS AND OVERALL BILATERAL RELATIONS WILL SUFFER SOME DAMAGE. THE AVENUES OPEN TO THE US FOR THREATENING REPRISALS TO ARGENTINE ECONOMIC INTERESTS ON SUCH A SCALE AS TO EFFECTIVELY INHIBIT THE GOA FROM TAKING ACTION AGAINST US FIRMS DIRECTLY INVOLVED AS POSSIBLE EXPORTERS TO CUBA AND OTHER US INTERESTS ARE RELATIVELY FEW AND SUCH ACTION COULD EASILY CARRY THE ADDITIONAL COST OF OPENING THE US TO CHARGES OF ECONOMIC AGGRESSION THROUGHOUT THE HEMISPHERE. IN THE CIRCUMSTANCES THE EMBASSY RECOMMENDS THAT THE DEPARTMENT, AND OTHER AGENCIES IN WASHINGTON CHARGED WITH ADMINISTRATION OF CACR, SEEK A COURSE WHICH WILL AVOID OR DELAY A CONFRONTATION WITH THE GOA. IT SEEMS TO US THAT A LIMITED WAIVER MUST BE GIVEN TO THE US FIRMS WHOSE SUBSIDIARIES IN ARGENTINA ARE NOW UNDER THE GUN. A WAIVER, LIMITED

IN NUMBER OF UNITS OR MONEY VALUE OF SALES WOULD APPEAR TO BE BOTH DANGEROUS, BECAUSE IT (QUOTA) COULD BECOME THE SUBJECT OF UNFAVORABLE PUBLICITY, AND UNWIELDY TO ADMINISTER. WE WOULD HOPE THAT AN UNDERSTANDING WITH THE US FIRMS INVOLVED MIGHT BE REACHED IN WHICH THEY WOULD BE GIVEN DISCRETION IN EXCHANGE FOR THEIR AGREEMENT TO MINIMIZE, BY WHATEVER MEANS THEY FOUND PRACTICABLE, THE VOLUME OF THEIR TRANSACTIONS WITH CUBA. THE MOST IMPORTANT CONSIDERATION IS THAT THEY BE ALLOWED TO RESPOND POSITIVELY, EVEN IF ONLY TO A LIMITED EXTENT, TO THE GOA PRES-SURES THAT ARE CONTINUING TO GROW AND THUS ATTENUATE THE CHARGES THAT THE POLICIES OF US FIRMS OPERATING IN ARGENTINA ARE DICTATED FROM ABROAD.

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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**Copy:** SINGLE  
**Draft Date:** 31 OCT 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Review Authority:** golinofr  
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